41880-3

ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
September 1990

Dr. Donald Ratajczak, Director
For Release: Friday, October 5, 1990

BUDGET UNCERTAINTY ADDS TO OIL UNCERTAINTY

After eight months, the budget reduction package arrived at a budget summit was defeated by a House of Representatives who felt that they could not run for re-election on the tax increases and medicare cuts contained in the program. Will this mean that 32% of the government unprotected by Gramm-Rudman exclusions, including air traffic controllers, statistics workers, and even federal court bailiffs will be furloughed? Such a result would be so damaging to the economy after a few days (it also impacts customs processors and agricultural inspectors) that such sequestering of funds could not be tolerated for any length of time. The damage to the economy from the absence of regulator enforcers would truly exceed any damage that would be forthcoming from a tax increase.

Will any deficit reduction fail, with the government running with continuing resolutions and $300 billion borrowing needs well into the future. This would suggest that the fiscal-monetary imbalance of policy will continue, causing further slowing in capital accumulation, increased dependence upon foreign borrowings, and greater inflationary tendencies than a more balanced mix of policies will generate?

Of course, a new deficit reduction package that eliminates the revenue raisers but intensifies budget restraint upon spending could be enacted. However, previous programs to contain spending have soon been abandoned. While further spending cuts probably are required, along with further changes in the budgetary procedures to assure that overspending is out of order, the financial and international markets may need to see some tax raising measures before they can be certain that the United States can right its policy mix.

COLLEGE OF BUSINESS ADMINISTRATION
GEORGIA STATE UNIVERSITY
UNIVERSITY PLAZA
ATLANTA, GEORGIA 30303-3083
404-651-3282

In fact, most of the tax increases could be justified on economic grounds. Tobacco products appear to create health problems and also add to fire problems. Further taxes on the use of such products would partially re-imburse governments for the social costs create from the use of these products. Similarly, family abuse and auto accidents associated with the consumption of alcoholic beverages strongly suggest that further tax burdens be levied against those items.

The crumbling infrastructure, environmental problems, and new military requirements defending our oil supplies from the Middle East strongly suggest that further revenues be raised from the use of petroleum products.

Even some of the additional taxes for medicare through payrolls and higher monthly contributions from the elderly have some economic foundations. Of course, taxing retirees, who no longer have the economic options to change behavior that others have, should be used only as a last resort. But the fastest growing expenditure other than interest is the medical obligations of the federal government. In effect, the government sponsored medical insurance program is insolvent and would be bankrupt in a private setting. Therefore, higher premiums are justified, although an increase in the payroll tax rate from 1.45% would make more economic sense then the higher monthly contributions from the retirees and the extension of the payroll tax base, which impacts higher wage earners.

Most of the tax incentives have little justification. Higher oil prices should be sufficient to stimulate domestic production. Is this country favorably impacted by using our oil resources more quickly, therefore increasing our future dependence upon foreign resources. At most, further purchases to the strategic oil reserve in the long run could be justified.

The venture capital incentive is interesting, but it is structured so poorly that investors of small companies would receive substantial tax incentives with little impact upon the equity raised by small companies. Small business loans and industrial development grants could more effectively stimulate new business per dollar of increased deficit.

Also, the spending restraints need greater teeth. For instance, any program growing more than the rate of inflation would need to contain its own revenue source or it would be ruled out of order. All programs, including the medical ones, would be denied any real growth without new revenue sources until deficit reduction targets are met. Or the leadership of the Congress or the President would have the authority to reduce or eliminate programs subject to Congressional override until deficit reduction targets are met.

Sequestering is so damaging to the economy that it cannot be allowed to happen for any length of time. Uncertainty about budget deficits also is damaging. Raising taxes is damaging as well. Indeed, the budget deficit reduction program makes no sense in the current recessionary climate without some reduction in Federal Reserve restraint. The process is to redress an inappropriate policy mix, not to propel the economy into a deeper recession than otherwise would develop.

That the economy entered a recession in July is more certain with each monthly drop in employment. Weakness in the manufacturing sector is spreading according to the September EMPLOYMENT SITUATION. Only 35% of manufacturing industries recorded employment gains. Only 44% of all industries showed any gains.

Weakness is throughout the durable goods industries and is also impacting most nondurables, but by lesser amounts. Construction continues to plunge while retail, financing, and real estate also are weakening. In September, even business services showed declines. Nearly all the employment gains since the beginning of this year have been in two sectors: health and education. With local government budgets being squeezed by higher energy costs and lower tax receipts, education spending soon may slow. An economy cannot move forward with this type of economic thrust.

Unfortunately, the budget uncertainty probably reduces the likelihood that the Federal Reserve will respond to these recessionary signs. Having linked an easing to the passage of a credible deficit reduction, Chairman Greenspan probably cannot ease when such a deficit package is defeated. Therefore, the first victim of the deficit reduction defeat is monetary easing. That will prolong the recession and may make it more intense than a shift in policy would have created.

The outlook for long-term interest rates has become more clouded in the short-run. If the economy weakens rapidly, interest rates will fall even without a deficit reduction program, despite a deficit that will be rising by nearly $25 billion for every percentage point reduction in economic growth. However, the continuation of this gradual drift downward may lead to periodic surges in interest rates as large government bond supplies come to market. Our PROJECTIONS reflect higher interest rates during the quarterly fundings, although rates should trend downward after this fall.

Stock prices definitely should decline under current conditions. Not only is the economy in recession, causing corporate profits to fall sharply, but monetary restraint may prevail longer than originally thought. Thus, both profits and interest rates could be moving in the wrong direction for longer than originally expected. Therefore, new lows are expected in equity values, although a major decline from current levels is not likely, as our formulas suggest.

Monthly Statistical Highlights

	SEPTEMBER 1990	OCTOBER 1990	NOVEMBER 1990
Payroll Employment		-37,000	-59,000
Index of Hours Worked		-0.2%	-0.1%
Household Employment		+29,000	-94,000
Civilian Unemployment Rate		5.7%	5.9%
Personal Income	+0.5%	+0.3%	+0.4%
Savings Rate	4.0%	3.9%	3.7%
Personal Consumption	+0.6%	+0.4%	+0.6%
Retail Sales	+0.9%	+0.0%	+0.6%
Auto Sales	9.8*	9.0*	9.3*
Housing Starts	-1.7%	-0.5%	+1.1%
Housing Permits	-1.8%	-1.3%	+0.2%
Construction Expenditures	-0.4%	-0.1%	-0.1%
Business Inventories	+0.7%	+0.5%	+0.5%
Orders for Durable Goods	+0.4%	-0.5%	-0.6%
Orders - Nondefense Capital Goods	+0.8%	-0.9%	-0.9%
Industrial Production	-0.2%	-0.1%	-0.2%
CPI	+0.7%	+0.8%	+0.6%
PPI	+1.3%	+0.9%	+0.6%
Consumption Deflator	+0.7%	+0.6%	+0.6%
Leading Indicators	-1.1%	-0.5%	0.0%
Currency Index	-0.4%	-3.4%	-0.5%
Equity Index	-2.9%	-2.4%	-2.4%
Real GNP (annual rate)	-1.7%	-2.0%	-3.1%
M1 (annual rate)	+6.2%	+4.9%	+5.4%
M2 (annual rate)	+6.2%	+5.4%	+4.9%

* auto sales in millions

COMMENTARY

EMPLOYMENT-The September EMPLOYMENT SITUATION almost confirmed that a recession began in July. Payroll employment fell 101,000, and only 42,000 of that was caused by reductions in census employment. Weakness was widespread, with only 44% of industries registering employment gains, a recession level. Thus, employment has now fallen for three months according to the payroll estimates. However, household estimates rebounded 240,000, although they remain nearly 500,000 below their June peak. (By contrast payroll employment is 273,000 below the June peak, of which 343,000 reflect reductions in census payrolls). Also, the workweek remained steady in manufacturing and actually rose in the service producing sectors. Hourly wages also grew a robust 0.5% and are 4.1% above previous year levels. As a result, personal income will grow more robustly in September than in August, although industrial production probably will fall sharply, especially in industrial materials and business equipment. The index of hours worked rose because of the workweek gains in the service sector. Normally, such changes in hours would indicate that the employment declines are nearing an end. However, further increases in oil prices along with uncertainty because of the failure of the budget agreement suggest that further declines in employment will develop. Almost all the indicators are saying recession, but the growing workweek still requires some pause before declaring that the recession is in force.

PERSONAL INCOME AND OUTLAYS-September's personal income should increase more than in August, when wage earnings grew an anemic $0.7 billion. By contrast, wage earnings should be up nearly $15 billion for September. However, property income should slow slightly while proprietors' income should dip modestly. If these income levels are appropriate, savings should fall sharply in the next few months, as gasoline prices continue to rise and auto sales remain firm. Indeed, our projections of consumer activity could be too optimistic.

In August, auto spending fell sharply, especially because of weakness in truck purchases. The jump in nondurables was less than expected, although gasoline sales rose 6.4%. Non-autos dipped slightly but maintained the furniture and hardware activity of earlier in the year. With auto sales rebounding in September with the aid of incentives and fears of higher prices ahead, retail sales certainly should be strong in that month. Therefore, consumer outlays, which already rose 0.5% in August, should rise another 0.5% in September. The surge in housing service expenditures during the third quarter should begin to subside, but real consumer spending is up a strong 2.5% during the quarter. Weakness will appear later in the year.

CONSTRUCTION-Uncertainty, rising fixed rate mortgages, and inadequate builder financing continue to take their toll upon housing starts. Multi-family activity rebounded from very low levels during the month, while single family activity subsided, with most of the weakness in the South. Apparently, regulatory restraint in the banking system may have been responsible for this regional bias. Falling permits suggest that housing has not yet reached a minimum, but some support is anticipated before the onset of winter. By that time, most of the housing starts will be impacted by weather conditions.

The weakness in housing starts is clearly reflected in falling residential construction expenditures. Further weakness into the winter is expected. The rebound in public construction in August was not anticipated and cannot be sustained. However, the gains were widespread. Little growth from these levels

is anticipated until next spring. After a July spurt, nonresidential construction has sagged, with weakness also hitting the industrial and commercial sectors. A rebound from the August levels is expected in September, but nonresidential construction should slow to less than the rate of inflation for the next year.

Construction prices once again slowed in August and may remain more modest than previously projected.

BUSINESS ACTIVITY-Although the price impact from oil prices was even larger than expected for manufacturing orders and shipments, inventories showed surprising restraint. As a result, all the growth in inventories probably will reflect higher prices rather than more goods. Therefore, no rebound in inventory investment is expected during the summer months.

Strong auto shipments, which are counted both as orders and shipments when they are delivered to dealers, led to stronger durable goods orders than expected in August. Also, defense orders rebounded, but remain below shipments. The plunge in nondefense capital goods orders reflect the absence of aircraft orders and also some weakness in nonelectrical machinery, which includes computers. Shipments were strong in August, but the reduction in backlog clearly suggests that some slowing in shipments is likely during the next quarter unless orders rebound. With industrial activity slowing and capacity utilization declining, a reduction in orders is more likely than an advance.

Despite weakness in the past two months, industrial production still appears to be growing for the quarter. However, a continuation of current industrial decline should lead to substantial declines in capacity utilization, which should lead to cumulative weakness in capital spending.

PRICES-Price increases were smaller than expected in August as a result of some weakness in natural gas prices and a more favorable shift of economic activity than normal to restrain inflation. As a result, the GNP deflator may not have accelerated despite a substantial increase in the fixed weighted deflator. However, strong price increases are expected in the fourth quarter, while no sharp reversal of increasing prices is likely early next year.

MISCELLANEOUS-Sharp declines in consumer sentiment and stock prices led to substantial declines in the leading indicators for August. Stock prices fell again in September, but only by one third the August amount. Consumer sentiment remained low but did not fall lower. However, some weakness in orders for consumer goods, substantial gains in initial unemployment claims, weakness in sensitive prices, and a decline in the backlog all should lead to another sharp decline in the leading indicators for September. The coincident indicators are now falling sharply as well, suggesting that a recession is on the verge of development, if it has not already begun.

The trade balances deteriorated before the rise in oil prices, but rising oil prices should more than offset any weakness in other imports during the next few months. When oil prices finally fall during the winter, the trade balances will diminish, leading to some stability in the currency markets. Until that time, however, falling interest rates, reduced profitability in the United States, and a widening trade balance all suggest that the dollar will reach historic lows against the German mark and the Japanese yen. Our estimates are consistent with a 1.45 mark and a 125 yen by the end of this year.

Higher returns on oil will prevent adjusted profits from falling during the summer. However, profits should then fall sharply into next summer. Indeed, the decline in profits currently projected is only half what normally would develop in the slowing of economic activity currently projected. Therefore, the estimates may be too low.

FINANCIAL MARKETS

In evaluating the sources and uses of funds, interest rates should be rising at the current time. First, foreign investors see a shrinking interest rate differential and, in the case of the Japanese, their other investment values have fallen to the point that the dollar based assets have become too large a portion of their portfolios. Therefore, foreign investors will be abandoning our markets until the dollar falls to a level that excites asset purchases from foreign investors. This will not happen until next spring.

(Note that foreign investors still will need to provide sufficient capital to offset the growing imbalance in trade. Therefore, foreign investment will actually increase in the United States. However, foreign investors will not willingly provide these capital transfers until interest rates rise further here or the dollar falls to a level that it must rebound. A little of both probably should be anticipated.)

Second, government borrowings are ballooning. The federal government has lost control of government spending, with expenditures growing more than 8%, even as revenues are shrinking because of a weakening economy. The result has been an explosion in the government deficit. This year's deficit is more than $230 billion. Next year, which has just started, should generate a deficit in excess of $300 billion. A deficit reduction package could limit borrowings later in the year, after February, but until that time, government bond supply will press interest rates upward.

Third, the corporate sector is facing cash flow problems. Even as the value of inventories rise along with petroleum prices, corporate earnings fall. During the summer, enough money was transferred to energy producers to limit the corporate borrowing needs, but this will be less true in the fall. Therefore, interest rates should move upward. Higher commercial paper rates than federal funds rates clearly suggests that something is pressing corporate borrowings upward. A weak economy could turn this around by late winter, however.

Fourth, household savings is plummeting. Therefore, individual contributions to the credit markets are shrinking rapidly. This should stabilize after Christmas. Thus, a case can be made for rallying the bond market at that time. However, pressures until the winter should be more to the upside on long-term interest rates than to the downside.

At some point, lower short-term rates will create an arbitrage opportunity that will limit the upside move of the long rates. Therefore, increases above 9.25% are unlikely for the long-term government bond. Nevertheless, some increases in long-term rates are likely even with near-term reductions in short-term rates once a budget agreement is forthcoming.

EQUITY MARKETS-Our equity formulas suggest another two months of declining equity values before the stock market finds a base. Of course, substantial uncertainties suggest that more caution than boldness is appropriate for this market. Furthermore, the long-term interest rate pattern remains questionable. On the other hand, the stock market has performed remarkably close to our expectations given the changes in interest rates, profits, and currency values. Moreover, strong stock market gains are likely next year once some budget reduction program arrives and oil prices begin to recede.

In the meantime, some of the sharp declines in stock prices have exposed some exceptional values. For example, some of the regional banks whose capital adequacy suggests that dividends will be defended have yielded more on their stocks than on their bonds. A general flight from these securities is responsible for that pricing.

When such pullbacks expose value, investors should move in and add to their portfolio. Except for energy related stocks, it probably is too late to sell. In the latter case, some profit taking by the winter should occur, although holdings could remain intact until the threat of hostilities diminishes.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
April 1990	110177		124.2		118116		5.4	9.96	
May	110617	1.7	124.6	0.8	118350	0.7	5.3	9.98	4.2
June	110829		125.3		118389		5.2	10.03	
July	110740		124.8		117953		5.5	10.07	
August	110665	0.5	124.6	-0.2	117658	-1.9	5.6	10.09	4.3
September	110623 *		124.5 *		117549 *		5.7 *	10.13 *	
October	110586		124.3		117578		5.7	10.17	
November	110527	-0.4	124.2	-1.4	117484	-0.7	5.9	10.21	4.4
December	110554		124.1		117496		6.0	10.24	
January 1991	110578		124.1		117504		6.1	10.27	
February	110542	-0.1	124.0	-0.7	117462	-0.2	6.2	10.31	4.1
March	110503		123.8		117431		6.4	10.35	
April	110476		123.7		117380		6.5	10.38	
May	110459	-0.2	123.6	-1.1	117373	-0.3	6.6	10.41	4.1
June	110492		123.6		117378		6.7	10.45	
July	110548		123.7		117459		6.7	10.48	
August	110593	0.4	123.7	0.3	117519	0.5	6.7	10.52	4.0
September	110651		123.8		117571		6.8	10.55	
Chng Sept(91)/Sept(90)		0.0		-0.6		0.0			4.1
Chng Sept(90)/Sept(89)		1.4		1.2		0.1			3.7

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	4.605		2.682		196.5		3.911		3.715	
May	4.621	5.6	2.692	6.8	207.2	17.3	3.923	4.6	3.716	4.0
June	4.641		2.711		181.5		3.943		3.761	
July	4.665		2.727		178.5		3.960		3.782	
August	4.678	4.8	2.728	5.2	171.4	-42.9	3.970	4.6	3.799	7.7
September	4.689 *		2.733 *		158.9 *		3.979 *		3.820 *	
October	4.702		2.739		154.3		3.989		3.835	
November	4.719	3.7	2.749	3.0	146.7	-41.7	4.003	3.4	3.856	5.9
December	4.738		2.761		143.6		4.018		3.874	
January 1991	4.758		2.773		147.2		4.040		3.893	
February	4.781	5.1	2.788	5.3	154.5	3.8	4.064	5.8	3.910	5.9
March	4.797		2.795		147.1		4.077		3.930	
April	4.815		2.805		145.8		4.093		3.947	
May	4.832	4.7	2.812	4.3	140.1	-22.1	4.107	4.9	3.967	6.0
June	4.856		2.827		135.7		4.127		3.991	
July	4.876		2.838		137.1		4.146		4.009	
August	4.900	5.5	2.853	5.5	137.0	-9.4	4.166	5.6	4.029	6.2
September	4.921		2.866		137.2		4.183		4.046	
Chng Sept(91)/Sept(90)		4.9		4.9		-13.7		5.1		5.9
Chng Sept(90)/Sept(89)		6.3		5.4		6.4		6.1		6.1

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	3608.1		480.6		1174.3		1952.0		2675.3	
May	3613.8	4.1	472.9	-10.0	1174.2	1.4	1961.0	4.9	2672.6	0.3
June	3649.9		481.7		1188.4		1983.1		2689.4	
July	3666.5		486.3		1190.1		1997.4		2694.6	
August	3690.5	7.4	480.3	4.7	1201.8	7.1	2008.4	9.1	2697.7	2.5
September	3711.5 *		485.1 *		1206.1 *		2020.3 *		2695.3 *	
October	3725.8		480.6		1212.8		2032.5		2689.4	
November	3747.1	6.3	486.2	0.9	1216.3	5.7	2044.7	7.4	2690.5	-0.7
December	3764.8		488.3		1218.9		2057.6		2693.4	
January 1991	3783.1		491.1		1221.5		2070.5		2695.2	
February	3799.8	6.0	491.3	6.0	1225.6	3.2	2082.9	7.7	2696.8	0.9
March	3819.9		493.9		1229.7		2096.3		2700.2	
April	3836.9		493.0		1234.4		2109.4		2701.6	
May	3856.2	6.1	496.8	4.1	1237.8	4.2	2121.7	7.7	2704.7	1.2
June	3880.0		501.5		1243.0		2135.5		2710.6	
July	3897.3		502.0		1246.7		2148.6		2712.9	
August	3917.3	6.2	506.2	6.1	1250.1	3.9	2161.0	7.6	2717.8	1.7
September	3933.8		505.4		1254.1		2174.3		2719.5	
Chng Sept(91)/Sept(90)		6.0		4.2		4.0		7.6		0.9
Chng Sept(90)/Sept(89)		6.0		0.0		5.7		8.1		0.2

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	147.89		22.78		9.6		94.27		30.84	
May	147.78	-3.6	22.67	8.7	9.3	-5.4	94.26	1.4	30.85	-13.5
June	149.43		22.73		9.9		95.59		31.11	
July	150.04		22.78		9.7		95.86		31.41	
August	149.20	4.3	22.71	-0.2	9.4	1.4	96.41	7.4	30.07	-1.6
September	150.59 *		22.65 *		9.8 *		96.99 *		30.95 *	
October	150.63		22.57		9.0		97.53		30.53	
November	151.53	3.9	22.66	-1.3	9.3	-15.6	97.81	5.8	31.06	1.9
December	151.98		22.69		9.4		98.02		31.27	
January 1991	152.50		22.76		9.5		98.23		31.51	
February	152.85	4.2	22.74	2.5	9.5	13.6	98.56	3.2	31.55	8.6
March	153.47		22.84		9.6		98.89		31.74	
April	153.75		22.96		9.5		99.27		31.52	
May	154.43	4.2	22.91	4.0	9.7	5.7	99.54	4.2	31.98	4.2
June	155.37		23.14		9.8		99.96		32.27	
July	155.73		23.11		9.8		100.26		32.36	
August	156.46	4.7	23.22	3.0	10.0	11.5	100.53	3.9	32.71	8.4
September	156.70		23.20		10.0		100.85		32.65	
Chng Sept(91)/Sept(90)		4.1		2.4		2.0		4.0		5.5
Chng Sept(90)/Sept(89)		2.3		0.6		-8.4		5.7		-6.2

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	1.216		0.898		0.318		1.108	
May	1.206	-53.6	0.897	-53.4	0.309	-53.3	1.065	-65.1
June	1.179		0.889		0.300		1.108	
July	1.148		0.868		0.279		1.082	
August	1.127	-22.1	0.840	-18.4	0.287	-35.4	1.036	-16.6
September	1.108 *		0.843 *		0.265 *		1.017 *	
October	1.103		0.837		0.266		1.004	
November	1.115	-2.9	0.846	-0.9	0.269	-8.4	1.006	-11.9
December	1.140		0.862		0.278		1.027	
January 1991	1.147		0.865		0.282		1.043	
February	1.163	18.7	0.877	16.5	0.286	25.8	1.060	20.1
March	1.195		0.902		0.293		1.076	
April	1.213		0.916		0.297		1.094	
May	1.226	19.9	0.921	19.6	0.305	21.0	1.107	15.6
June	1.229		0.928		0.301		1.095	
July	1.241		0.935		0.306		1.125	
August	1.256	10.8	0.943	9.1	0.313	15.9	1.134	14.8
September	1.266		0.948		0.318		1.153	
Chng Sept(91)/Sept(90)		14.3		12.5		20.0		13.4
Chng Sept(90)/Sept(89)		-12.3		-13.0		-9.9		-22.4

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	138.6		106.0		200.2		444.7		406.0	
May	137.9	-0.6	109.8	-10.4	196.1	-10.1	443.8	-7.5	404.2	-8.9
June	140.1		111.5		189.5		441.1		401.1	
July	144.8		108.5		189.1		442.4		400.7	
August	140.5	10.9	115.1	13.3	186.9	-16.3	442.5	-1.2	400.5	-4.1
September	142.2 *		114.1 *		184.3 *		440.6 *		397.7 *	
October	142.0		114.6		183.5		440.1		396.5	
November	141.7	-2.2	114.9	9.2	183.1	-6.5	439.7	-1.3	395.4	-3.6
December	141.4		115.7		184.3		441.4		395.9	
January 1991	141.9		115.3		184.9		442.1		395.4	
February	142.6	2.2	115.9	3.2	185.8	5.0	444.3	3.6	396.7	0.7
March	142.9		116.7		186.9		446.5		397.6	
April	142.8		117.3		188.1		448.2		398.0	
May	142.9	1.9	117.8	6.4	189.0	7.1	449.7	5.2	398.3	2.0
June	143.7		118.2		190.1		452.0		399.3	
July	143.5		118.0		191.3		452.8		398.9	
August	144.5	3.3	118.4	2.3	192.8	7.9	455.7	4.9	400.4	1.7
September	144.9		118.9		194.0		457.8		401.2	
Chng Sept(91)/Sept(90)		1.9		4.2		5.3		3.9		0.9
Chng Sept(90)/Sept(89)		2.2		12.6		-4.5		1.7		-0.3

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	372.3		123.61		36.57		35.30	
May	372.4	-1.3	128.74	10.7	35.93	-21.1	35.30	-3.5
June	370.7		124.69		36.19		36.62	
July	373.3		128.09		39.84		35.10	
August	373.9	3.0	127.46	7.1	35.77	11.3	36.76	5.8
September	376.4 *		127.98 *		36.04 *		36.89 *	
October	378.9		127.31		35.73		35.88	
November	380.3	6.6	126.54	-3.8	35.42	-18.3	35.56	-4.3
December	382.4		125.97		35.01		36.11	
January 1991	384.1		126.43		35.17		36.27	
February	385.5	5.3	127.88	3.3	35.64	2.2	36.05	3.6
March	386.7		128.56		35.93		36.19	
April	388.0		127.46		35.26		35.83	
May	389.3	4.1	127.81	-0.1	35.43	-2.9	35.69	-4.0
June	390.7		127.55		35.27		35.89	
July	391.8		127.11		35.52		36.15	
August	393.5	4.2	127.86	-0.2	35.85	5.2	36.29	4.9
September	394.9		127.69		35.93		36.25	
Chng Sept(91)/Sept(90)		4.9		-0.2		-0.3		-1.7
Chng Sept(90)/Sept(89)		1.5		2.2		2.0		3.2

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	796.1		8.92		108.8		83.1	
May	800.4	1.5	9.18	30.1	109.4	0.9	83.4	-1.7
June	796.5		9.10		110.0		83.6	
July	801.9		8.95		110.0		83.5	
August	805.7 *	4.4	9.15	3.4	109.8	1.5	83.1	-1.1
September	811.3		9.33 *		109.6 *		82.8 *	
October	815.7		9.01		109.5		82.5	
November	819.4	6.6	8.96	-5.0	109.3	-1.7	82.2	-4.4
December	822.6		9.11		109.2		81.9	
January 1991	825.1		8.98		109.0		81.6	
February	828.7	4.5	8.78	-6.9	108.8	-1.8	81.2	-4.5
March	831.1		8.84		108.7		81.0	
April	834.5		8.85		108.5		80.6	
May	837.6	4.6	8.76	-2.1	108.5	-1.0	80.4	-3.9
June	840.8		8.85		108.7		80.4	
July	844.0		8.80		109.0		80.5	
August	847.2	4.7	8.73	-2.0	109.2	2.4	80.4	-0.3
September	850.7		8.80		109.4		80.3	
Chng Sept(91)/Sept(90)		4.9		-5.7		-0.2		-3.0
Chng Sept(90)/Sept(89)		2.4		1.1		1.3		-1.3

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	129.3		116.6		113.2		130.5	
May	129.6	4.2	117.0	-1.2	113.3	-1.6	130.9	4.7
June	130.2		117.2		113.1		131.4	
July	130.7		117.1		113.2		131.7	
August	131.8	6.4	118.6	5.9	115.9	6.6	132.4	4.7
September	132.7 *		120.2 *		116.0 *		133.2	
October	133.7		121.3		118.4		134.0	
November	134.5	8.3	122.0	11.6	119.0	14.3	134.7	6.6
December	135.0		122.5		119.4		135.1	
January 1991	135.6		123.0		119.9		135.7	
February	136.1	5.3	123.3	4.6	120.1	3.8	136.2	4.8
March	136.7		123.6		120.1		136.7	
April	137.2		124.0		120.3		137.2	
May	137.8	4.9	124.3	3.4	120.6	1.8	137.7	4.6
June	138.3		124.7		120.8		138.3	
July	138.9		125.2		121.1		138.7	
August	139.3	4.7	125.3	3.4	121.3	2.5	139.2	4.3
September	139.9		125.6		121.5		139.7	
Chng Sept(91)/Sept(90)		5.4		4.5		4.7		4.8
Chng Sept(90)/Sept(89)		6.1		5.2		4.9		4.7

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	134.8		112.1		129.1		146.0		109.5	
May	135.3	3.7	112.2	-1.0	129.2	3.5	146.7	4.2	109.8	1.0
June	135.6		112.0		130.0		147.0		110.0	
July	136.0		112.2		130.1		147.6		110.4	
August	136.8	4.8	112.3	0.7	131.3	6.2	148.3	4.8	110.5	2.9
September	137.7 *		112.5 *		132.8 *		149.0 *		110.8 *	
October	138.5		112.7		134.1		149.6		111.0	
November	139.3	7.1	113.1	2.6	135.1	11.2	150.3	5.4	111.2	2.4
December	139.8		113.3		135.6		150.9		111.5	
January 1991	140.4		113.6		136.3		151.5		111.8	
February	140.9	5.0	113.8	2.9	136.7	5.4	152.2	5.2	112.0	2.9
March	141.5		114.1		137.2		152.9		112.3	
April	142.0		114.4		137.7		153.5		112.6	
May	142.6	4.8	114.6	2.7	138.4	4.9	154.1	5.2	112.9	3.1
June	143.1		114.8		139.0		154.8		113.2	
July	143.7		115.1		139.3		155.5		113.5	
August	144.1	4.5	115.4	2.8	139.7	3.9	156.1	5.2	113.8	3.2
September	144.7		115.7		140.1		156.7		114.1	
Chng Sept(91)/Sept(90)		5.0		2.8		5.5		5.2		3.0
Chng Sept(91)/Sept(90)		4.6		1.3		7.5		5.0		2.0

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj
April 1990	-7.31		145.1		5417		4150		-3.3
May	-7.77	62.0	145.8	0.3	5437	5.1	4154	0.4	-0.3
June	-5.34		146.0		5467		4161		2.6
July	-9.33		146.0		5482		4161		2.8
August	-9.66 *	-299.5	144.2	-3.7	5503	4.8	4156	0.1	-9.3
September	-9.88		142.6 *		5529		4150		-17.6
October	-9.47		141.9		5551		4143		-21.4
November	-9.43	1.4	141.9	-5.9	5564	4.4	4132	-2.0	-24.3
December	-9.87		142.5		5578		4128		-26.7
January 1991	-9.33		141.4		5595		4124		-21.6
February	-8.72	28.2	142.7	0.7	5609	3.4	4119	-1.3	-18.5
March	-8.43		142.9		5629		4118		-18.1
April	-7.67		142.5		5645		4114		-17.3
May	-7.21	51.2	143.0	1.7	5659	3.7	4109	-0.9	-15.5
June	-7.25		143.3		5684		4111		-11.2
July	-7.03		143.7		5712		4117		-5.6
August	-6.74	33.7	144.8	4.9	5735	5.3	4120	0.9	-1.3
September	-6.20		145.5		5761		4125		-3.4
Chng Sept(91)/Sept(90)		37.2		2.0		4.2		-0.6	
Chng Sept(90)/Sept(89)		12.7		-1.7		5.7		1.0	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	93.51		167.5		8.76		185.61	
May	92.04	-2.0	168.4	12.6	8.83	28.1	191.35	12.7
June	92.43		172.6		8.46		196.68	
July	89.68		174.3		8.50		196.61	
August	85.88	-22.1	174.0	9.9	8.86	4.1	181.65	-12.6
September	85.57 *		172.4		8.95 *		176.43 *	
October	82.66		169.6		9.07		172.12	
November	82.22	-22.1	166.3	-12.4	9.16	12.9	167.95	-25.4
December	80.43		167.8		8.89		175.49	
January 1991	80.51		163.8		8.78		174.32	
February	81.46	-2.6	164.4	-9.5	8.93	-9.2	172.88	5.8
March	81.72		163.1		8.76		175.71	
April	81.88		164.5		8.71		179.13	
May	83.13	10.8	162.7	-0.6	8.65	-8.8	179.29	15.7
June	85.01		163.4		8.51		183.94	
July	85.96		163.9		8.37		188.53	
August	84.74	11.0	165.1	4.0	8.50	-8.7	187.94	20.8
September	85.93		166.4		8.42		192.17	
Chng Sept(91)/Sept(90)		0.4		-3.5		-5.9		8.9
Chng Sept(90)/Sept(89)		-16.0		1.0		9.8		-8.6

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	304.8		807.3		3277.9		8.26		7.84	
May	305.7	4.1	805.4	3.6	3271.8	2.9	8.18	-0.3	7.76	2.3
June	308.0		809.4		3279.0		8.29		7.63	
July	309.3		809.2		3283.7		8.15		7.52	
August	311.7	8.3	816.4	4.0	3302.1	3.1	8.13	-4.5	7.38	-16.6
September	316.1 *		820.5 *		3318.8 *		8.17 *		7.30 *	
October	319.7		823.8		3333.4		7.73		7.18	
November	321.6	12.2	827.4	6.1	3346.7	5.7	7.56	-24.4	7.04	-16.2
December	323.2		831.2		3363.2		7.51		7.02	
January 1991	324.5		834.3		3376.4		7.54		7.06	
February	325.9	5.6	837.8	4.9	3388.7	5.2	7.26	-13.2	6.83	-11.5
March	327.3		840.1		3405.3		7.21		6.71	
April	328.8		843.3		3420.6		7.07		6.65	
May	330.5	5.7	846.7	4.5	3436.7	5.5	7.01	-16.8	6.53	-16.7
June	332.0		849.8		3449.5		6.94		6.50	
July	333.2		852.9		3462.8		6.78		6.48	
August	334.6	5.2	855.6	4.5	3478.9	5.2	6.79	-12.0	6.54	-2.2
September	336.1		859.7		3495.7		6.79		6.55	
Chng Sept(91)/Sept(90)		6.3		4.8		5.3		-16.9		-10.3
Chng Sept(90)/Sept(89)		7.5		4.8		4.8		-9.4		-5.7

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	9.46		7.44		8.30		8.42		10.00	
May	9.47	9.1	7.35	8.0	8.25	1.1	8.35	5.5	10.00	-1.5
June	9.26		7.24		8.14		8.23		10.00	
July	9.24		7.19		7.99		8.10		10.00	
August	9.41	0.3	7.32	-1.6	7.88	-13.1	7.97	-13.4	10.00	0.0
September	9.56 *		7.43 *		7.97 *		8.05 *		10.00	
October	9.65		7.53		7.81		7.94		9.77 *	
November	9.88	19.1	7.62	17.2	7.62	-13.8	7.73	-12.3	9.50	-15.4
December	9.94		7.68		7.54		7.67		9.50	
January 1991	9.82		7.54		7.48		7.59		9.50	
February	9.90	0.1	7.58	-5.2	7.32	-15.4	7.43	-16.2	9.22	-13.8
March	9.76		7.41		7.23		7.31		9.00	
April	9.61		7.28		7.08		7.20		9.00	
May	9.55	-11.7	7.23	-15.0	7.04	-16.0	7.11	-16.3	9.00	-10.0
June	9.42		7.12		6.97		7.05		9.00	
July	9.27		7.05		6.85		7.01		9.00	
August	9.35	-10.1	7.11	-8.8	6.87	-8.3	7.03	-4.4	9.00	0.0
September	9.21		6.98		6.92		7.08		9.00	
Chng Sept(91)/Sept(90)		-3.7		-6.1		-13.2		-12.0		-10.0
Chng Sept(90)/Sept(89)		6.1		2.3		-8.4		-8.3		-4.8

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.